GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

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MEMORANDUM

TO: Stephen M. Cordi, Deputy CFO
Office of Tax and Revenue

FROM: Robert G. Andary, Executive Director
Office of Integrity and Oversight

DATE: February 27, 2009

SUBJECT: Review of Employee's Activity in ITS based on Dummy Account Alert
(IA:OTR:2904:M02)

This review was conducted pursuant to the Office of Integrity and Oversight's (OIO) Management Alert of January 5, 2009 (IA:OTR: 2904-M01), on "OTR's Use of Dummy Accounts." As stated in that alert, an Office of Tax and Revenue (OTR) employee used dummy accounts in the Integrated Tax System (ITS) to transfer credits from dummy accounts to taxpayer accounts. Based on this misuse of dummy accounts, OIO indicated that we would further analyze actions taken by this employee to determine whether there were other instances where credits were moved improperly.

Background

The employee under review is a ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ within the Returns Processing Administration (RPA) Systems and Forms Division. In this role, he deals directly with taxpayers on correction of ACH payment issues, eTSC, e-File, and he also works with lockbox data. In this position, the employee had access to data files and the ability to make changes to taxpayer accounts. As a result of the findings noted in the January 5, 2009 memorandum, the employee's ITS user rights have been modified to "read only access."

Methodology

To determine the level of transfer activity of this employee, OIO used the data warehouse to run a report of the employee's transfer activity in the Integrated Tax System from the inception of his account to FY 2009. To obtain this data, Accenture contractor staff assisted us in writing a query that would specifically provide the transfer activity for the employee (Attachment 1). For the purpose of this review, a transfer is defined as the movement of a payment from one account period to another as well as the introduction of tax credits (i.e. withholding).

The query produced over 1400 lines of data associated with this employee's ID number. The 1400 lines of data represented roughly 727 transaction events. OIO determined a transaction event by manually grouping transactions based on dollar value, review of transaction numbers, and timestamp details since transfers to and from an account are usually numbered sequentially.

For example:

Id Entity	Transaction ID	Trans Type	Am Credit Offset	Date &Time of Transaction
522151663	9100012448117	220.	-635,863.07	2005-07-18-16.35.30.829710
522151663	9100012448119	219.	635,863.07	2005-07-18-16.35.31.125418
522151663	9100012448398	220.	-635,863.07	2005-07-18-17.32.23.403858
522151663	9100012448399	219.	635,863.07	2005-07-18-17.32.23.576453

Based on this grouping, we manually numbered the events to arrive at 727 transactions.

OIO sorted the transactions in descending order and noted the following:

Table 1

Dollar Range	Number of Transactions	Percentage
>25,000	45	6.2
10,000 to 24,999	43	5.9
2,500 to 9,999	146	20.1
1000 to 2,499	150	20.6
<999	343	47.2
	727	

Overall, we reviewed 113 transaction events or 15% of the transaction events. Of the 113 events reviewed, 60 were greater than 16,500.

SUMMARY OF RESULTS:

Based on our review of the noted sample transactions, we identified the following:

1. Employee Improperly Corrected Taxpayer Accounts

We noted that the majority of actions taken were done to correctly state the taxpayer accounts. Usually there was a processing error that required an employee to correct the account. We categorized the 113 transactions as follows:

Table 2

Adjustment Reason	Transactions	Percentage
eTSC Payment Error	25	22.1%
eTSC Processing Error	10	8.8
Processing Error Correction	55	48.7
Processing Error Correction: Workaround	14	12.4
Keypunch error	6	5.3
Payment posting error	3	2.7
	113	

Of the 113 transaction events reviewed, we noted adjustment errors in 27 instances or 24% of the events reviewed totaling $719,513. Of this amount, $426,580 or 18 events were corrected by the employee under review or other OTR employees, and the remaining $292,933 or 9 transaction events required correction by OTR, due to the employee's error in the correction, or his apparent deliberate manipulation of the system to resolve a taxpayer issue. OIO will provide the items for your correction. (See Attachment 2)

In summarizing reasons for the adjustments (Table 2 above), we segregated "processing error corrections" from "workarounds" to highlight this issue. It appears that the employee had developed "workarounds" in ITS to resolve system limitations or issues over his years of working with ITS, such as moving an older converted remit from a taxpayer's 2002 Unincorporated franchise period to the taxpayer's sales tax account to resolve an ACH posting issue.

Workarounds represent a shortcoming in ITS where the system is unable to process an item as it should. When this is done it may correct the problem, but it also distorts the taxpayer's filing history.

Dummy Accounts

In the 113 transactions reviewed, we noted no other use of the dummy accounts. We scanned identification numbers (EIN/SSN) in the entire file and did not see any other use of known dummy accounts by the employee. The two transactions previously brought to your attention are included in the error amounts reported.

Recommendation:

We recommend OTR correct the items that require correction within 10 days of receipt of this letter.

2. Lack of Managerial Oversight provide excessive privileges in ITS

Based on our review and analysis, it appears that the identified employee was given carte blanche access to the system, without any managerial oversight. He was allowed to work accounts as he deemed fit. This was due in part to lack of procedures and supervisory controls over the adjustment process.

As a result of this open access to ITS, this employee made decisions on the disposition of taxpayer accounts, built workarounds to get refunds out and resolve account balances, and executed those workarounds "to force" things to work in the ITS. These actions date back to April 2002. As stated above, using workarounds in any system distorts the taxpayer's filing history and does not resolve the actual problem.

Recommendation:

We strongly recommend that the RPA Acting Director develop stringent procedures for adjustments to taxpayer accounts ensuring that there are controls in place throughout the process. The procedures should include adequate and appropriate managerial oversight.

Until further management action is determined, we recommend the employee's ITS rights remain "read only."

3. No Segregation of Duties over Electronic Payment Correction/Transfers Process

Many of the events reviewed were related to the correction of electronic activity. The employee appeared to be a one man operation as it related to the correction and research of electronic payments. In many instances, other employees within OTR would call him to correct or research payments.

As a result, there was a lack of segregation of duties as it related to analyzing electronic payment data and correcting accounts in ITS. Additionally, it is difficult to determine if the corrections are proper as there is no paper trail readily available for review.

Recommendation:

We recommend the Returns Processing Administration Systems & Forms Division refrain from the actual correction of taxpayer accounts. If items come to their attention that requires correction, they should be forwarded to the Returns Processing Administration Error Corrections Unit for correction.

4. Employee Performed Excessive Abatements

During our review of credit and transfer activity, we noted a large number of abatements performed by this employee. OIO ran a report of abatement activity in the data warehouse and noted the employee abated over **$1.6 million** in penalties and interest.

We judgmentally selected 20 abatements greater than $15,000, and noted that in most instances it was the employee using his *personal judgment* to determine whether the taxpayer should receive an abatement; he also included notes as justification for the abatement, such as:

- *"IN VIEW OF HONEST ERROR, AND OTHERWISE UNBLEMISHED RECORD, I ABATED P&I FOR APRIL S&U."* and

- *"CLIENT BOUGHT SPORTS CLUB AND WAS NOT TOLD OF PPT RESPONSIBILITY (IT'S UNUSUAL TO COLLECT TAX A YEAR IN ADVANCE) BY SELLER. SO I DISTRIBUTED TAX REQUIRMENTS BETWEN THE BUYER AND SELLER, AND BUYER PAID PPT TAX. THEREFORE, I ABATED, <u>GIVEN HONEST GOOD-FAITH EFFORT.</u>"*

In one instance cited as an error in Finding 1, a taxpayer's audit assessment was reduced by $59,000. Notes on the taxpayer's account by a different employee stated the taxpayer's request for waiver of penalty was denied; however, the employee under our review abated the penalty and transferred the credit in the sales account to the personal property account ultimately eliminating the liability in two personal property account periods.

The OTR has a procedure in place that requires a taxpayer to file a specific request for a waiver with the OTR's Compliance Operations Division. This procedure was circumvented by the employee. Additionally, there did not appear to be managerial oversight of the abatement activity performed by the employee.

Recommendation:

In our judgment, the unauthorized actions of this employee to abate a taxpayer's account, resulting in the reduction of a liability, is an extremely serious matter requiring management's immediate attention.

As such, we strongly recommend OTR examine the whole abatement process and review all abatement activities of this employee, and reinstate the penalty and interest, where applicable. In addition, we recommend OTR regularly run an abatement report to identify questionable activity across the agency. (Attachment 3)

OTHER MATTERS

During this data analysis, other items came to our attention, which we will provide to you for further action.

Access to the Audit Trail

It was difficult to obtain an accurate complete report of employee detailed transaction activities. It took OIO over a month to obtain the correct information. We attempted to obtain assistance from an OTR staff member but our results were not complete. We finally obtained the report through the assistance of the Accenture project manager, who built the query.

This situation is of great concern since the Accenture staff will leave in a few months. In speaking to OTR staff, many do not understand how to properly use the data warehouse, and as a result, they do not think they can obtain the information they require. Based on our experience in using the Data Warehouse, it is imperative that there is an understanding of the relationship between the data and tables to generate accurate and reliable queries. Currently, Accenture is developing a class on using SAND-Data Warehouse.

Recommendation:

We strongly recommend that OTR data warehouse training include a relational database segment. Additionally, it may be prudent to have a working session where administration representatives bring two report ideas for their administration. These reports could be built as part of the workshop. This will not only give the employee an opportunity to understand the request and what data fields should be included, and links to obtain the desired information, but they will also walk away with a query that can be saved and refreshed as necessary.

Please provide our office with a response on actions taken no later than March 6, 2009. If you have any questions regarding the work performed, please contact Tisha Edwards at 478-9143.

Thank you for your cooperation.

cc: Lucille Dickinson, Chief of Staff, OCFO
                  Glen Groff, Director of Operations, OTR
                  Dave Quinn, Acting Director, Returns Processing, OTR
                  Mohamad K. Yusuff, Director, Internal Audit, OIO
                  Tisha Edwards, Manager, OIO
                  Nelson Alli, Senior Audit Manager, OIO

Offset Activity Query Language

OFFICE OF INTEGRITY AND OVERSIGHT

Review of Employee ITS Transfer Activity

Require Error Correction

IA: OTR:2904:M02

Attachment 2

Item	Id Entity	Id Employ	Id Trans	Am Tot Co	Cd Type Trans	Am Credit Offset	Id Fin Detail	Error	Adjustment Reason
1.	530124225	ITS328	910003451490 9	-53,054.	220.	-53,054.	2008-09-08-12.11.19.575741		Processing Error Correction: Workaround
1.	530124225	ITS328	9100034514910	53,054.	219.	53,054.	2008-09-08-12.11.20.679579		Processing Error Correction: Workaround
1.	530124225	ITS328	9100034514901	53,054.	203.	53,054.	2008-09-08-12.10.17.795578	53054.00	53054.00 Workaround
1. Total								53054.00	
2.	520792027	ITS328	9100007604952	-40,101.61	216.	-40,101.61	2004-03-25-20.35.17.879194	40101.00	Keypunch error
2.	520792027	ITS328	910000789184 9	-40,101.61	216.	40,101.61	2004-04-20-21.43.22.972923		Keypunch error
2.	520792027	ITS328	910000789222 6	40,101.61	215.	40,101.61	2004-04-20-21.43.23.061886		Keypunch error
2. Total								40101.00	
3.	581349933	ITS328	910002616535 4	-29,914.	220.	29,914.	2007-07-02-15.07.01.698911	29914.00	eTSC Payment error: Workaround
3.	581349933	ITS328	9100026165355	29,914.	219.	29,914.	2007-07-02-15.07.01.905399		eTSC Payment error: Workaround
3. Total								29914.00	
4.	521171965	ITS328	910003138127 6	-29,116.08	220.	29,116.08	2008-03-20-16.46.57.633675	29116.08	Processing Error Correction: workaround
4.	521171965	ITS328	910003138127 7	29,116.08	219.	29,116.08	2008-03-20-16.46.57.954729		Processing Error Correction: workaround
4. Total								29116.08	

OFFICE OF INTEGRITY AND OVERSIGHT
Review of Employee ITS Transfer Activity
Require Error Correction
IA: OTR:2904-M02

Item	Id Entity	Id Employ/Id Trans		Am Tot Co Cd Type Trans		Am Credit Offset	Id Fin Detail	Error	Adjustment Reason
5.	522314093	ITS328	9100029003314	-25,737.13	220.	-25,737.13	2007-12-19-16.41.12.975965	25737.13	eTSC Payment Error: Workaround
5.	522314093	ITS328	9100029003315	25,737.13	219.	25,737.13	2007-12-19-16.41.13.649333		eTSC Payment Error: Workaround
5. Total								25737.13	
6.	980115765	ITS328	9100079950061	-25,316.45	220.	25,316.45	2004-05-03-16.46.47.431466	25316.00	Processing error correction (error not fixed)
6.	980115765	ITS328	9100079950062	25,316.45	219.	25,316.45	2004-05-03-17.04.35.000120		Processing error correction (error not fixed)
6.	980115765	ITS328	9100079950062	25,316.45	219.	25,316.45	2004-05-03-16.46.47.601245		Processing error correction (error not fixed)
6.	980115765	ITS328	9100079950062	-25,316.45	219.	25,316.45	2004-05-03-17.04.34.984484		Processing error correction (error not fixed)
6. Total								25316.00	
7.	522314093	ITS328	9100029039395578	-20,893.75	220.	-20,893.75	2008-01-04-11.30.54.650153	20893.75	eTSC Payment Error: Workaround

OFFICE OF INTEGRITY AND OVERSIGHT
Review of Employee ITS Transfer Activity
Require Error Correction
IA: OTR:2904:M02

Item	Id Entity	Id Employ/Id Trans	Am Tot Co Cd Type Trans	Am Credit Offset	Id Fin Detail	Error	Adjustment Reason
7.	522314093	ITS328	910002903579	20,893.75	219.	20,893.75 2008-01-04-11.30.54.977070	20893.75	eTSC Payment Error: Workaround
7. Total							
8.	133837881	ITS328	9100032798181	17,740.	219.	17,740. 2008-07-18-17.05.41.766406	17740.00	Processing Error Correction: Workaround
8.	999110000	ITS328	9100032798180	-17,740.	220.	-17,740. 2008-07-18-17.05.41.485210		Processing Error Correction: Workaround
8. Total						17740.00	
9.	530115260	ITS328	9100102564 14	13,620.	215.	13,620. 2005-02-14-21.25.40.503906		Processing error correction (error not corrected)
9.	530115260	ITS328	910010256232	-13,620.	216	13,620. 2005-02-14-21.25.40.365914	13620.00	Processing error correction (error not corrected)
9. Total						13620.00	
10.	522314093	ITS328	9100029039634	9,793.23	219.	9,793.23 2008-01-04-11.46.33.143482		Processing Error Correction: workaround
10.	522314093	ITS328	9100029039633	-9,793.23	220.	9,793.23 2008-01-04-11.46.33.036189	9793.23	Processing Error Correction: workaround
10. Total						9793.23	
11.	521171965	ITS328	9100031381286	8,706.74	219.	8,706.74 2008-03-20-16.48.38.239695		eTSC Processing Error: Workaround
11.	521171965	ITS328	9100031381285	-8,706.74	220.	8,706.74 2008-03-20-16.48.38.075341	8706.74	eTSC Processing Error: Workaround

Review of Employee ITS Transfer Activity
Require Error Correction
IA: OTR:2904:M02

Item	Id Entity	Id Employ	Id Trans	Am Tot Co	Cd Type Trans	Am Credit Offset	Id Fin Detail	Error	Adjustment Reason
11. Total								8706.74	
12.	225665720	ITS328	910003465045	6,913.	230.	6,913.	2008-09-23-14.30.57.511810	6913.00	Processing Error Correction: Workaround
12. Total								6913.00	
13.	1349	0002	ITS328 910024766102	-3,664.1	220.	3,664.1	2007-04-23-12.39.33.372457	3664.10	eTSC Payment Error
13.	1349	0002	ITS328 910024766103	3,664.1	219.	3,664.1	2007-04-23-12.39.33.820466		eTSC Payment Error
13.	1349	0002	ITS328 910023753990	-3,664.1	216.	3,664.1	2007-04-24-00.50.31.060655		eTSC Payment Error
13.	1349	0002	ITS328 910024785853	3,664.1	215.	3,664.1	2007-04-24-00.50.30.147022	3664.10	eTSC Payment Error
13. Total								0	
14.	579252913	ITS328	9100021062397	2,280.	230.	2,280.	2006-10-18-21.45.37.214614	2280.00	Processing Error Correction: Workaround
14. Total								2280.00	
								0	

Item	Id Entity	Id Employ	Id Trans	Am Tot Co Cd Type Trans	Am Credit Offset	Id Fin Detail	Error	Adjustment Reason
15.	579252913	ITS328	910002106239 7	921.	230.	2,280.	2006-10-19-14.00.11.000785	2280.00	Processing Error Correction: Workaround
15. Total							2280.00	0
16.	579252913	ITS328	910002106239 7	-921.	230.	2,280.	2006-10-19-14.00.10.963173	921.00	Processing Error Correction: Workaround
16. Total							921.00	
17.	577764705	ITS328	910002842755 2	1,847.	230.	1,847.	2007-10-26-13.57.16.830670	1847.00	Processing Error Correction: Workaround
17. Total							1847.00	
18.	579920456	ITS328	910000503623 6	1,035.	203.	1,035.	2003-04-18-20.41.05.572639	1035.00	eTSC Processing Correction
18. Total							1035.00	
Grand Total							292932.03	

Abatement Query Language

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer
Office of Tax and Revenue

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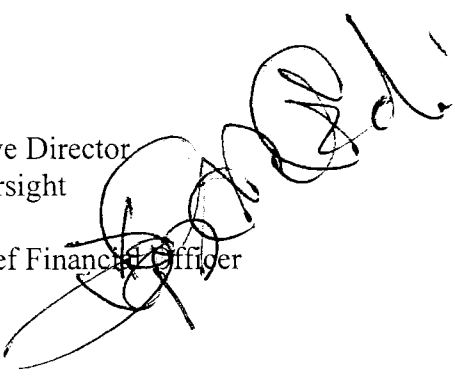Stephen M. Cordi
Deputy Chief Financial Officer

MEMORANDUM

TO: Robert G. Andary, Executive Director
              Office of Integrity and Oversight

FROM: Stephen Cordi, Deputy Chief Financial Officer
              Office of Tax and Revenue

DATE: March 19, 2009

SUBJECT: Review of Employee's Activity in ITS based on Dummy Account Alert
              (IA:OTR:2904:M02)

The Office of Tax and Revenue has reviewed your memorandum dated February 27, 2009, Review of Employee's Activity in ITS based on Dummy Account Alert (IA:OTR:2904:M02). We are pleased to respond to your recommendations, as follows:

Recommendation #1: We recommend OTR correct the items that require correction with 10 days of receipt of this letter.

Response: We concur with the recommendation and corrective action will begin within 10 business days from the issuance of this response to the accounts identified as requiring additional action.

Recommendation #2: We strongly recommend that the RPA Acting Director develops stringent procedures for adjustments to taxpayer accounts ensuring that there are controls in place throughout the process. The procedures should include adequate and appropriate managerial oversight.

Until further management action is determined, we recommend the employee's ITS rights remain "read only".

Response: OTR concurs with the recommendation and within 10 business days of issuance of this response, OTR will issue a directive stating that RPA will no longer make adjustments to taxpayer accounts after the account (return/payment) has posted/settled. Any adjustment to a taxpayer's account can only be made by a representative from Customer Service or Compliance Administration. The employee referenced in this report will continue to have read only access.

Recommendation #3: We recommend the Returns Processing Administration Systems and Forms refrain from the actual correction of taxpayer accounts. If items come to their attention that requires correction, they should be forwarded to the Returns Processing Administration Error Corrections Unit for correction.

Response: OTR agrees with the recommendation that Returns Processing Administration Systems & Forms Division staff refrain from actual corrections to taxpayer accounts. Once the directive cited above is issued, ITS rights for Systems and Forms Division will be modified to read only and except for returns/payments/documents that have not posted or settled, adjustments/corrections to accounts will be restricted to Customer Service or Compliance Administration employees.

Recommendation #4: We strongly recommend OTR examine the whole abatement process and review all abatement activities of this employee, and reinstate the penalty and interest, where applicable. In addition we recommend OTR regularly run an abatement report to identify questionable activity across the agency.

Response: OTR concurs and will conduct a review of all abatement activities of the employee in question. OTR will request a copy of the report of abatement activity used by OIO as a basis of their findings and recommendation. A SIR will be submitted by March 30, 2009, requesting a monthly report of abatement activity that can be used for sampling and review purposes.

Recommendation #5: We strongly recommend that OTR data warehouse training include a relational database segment. Additionally, it may be prudent to have a working session where administration representatives bring tow report ideas for their administration. These reports could be built as part of the workshop.

Response: OTR and ISA agree with these findings and recommendations. As part of the Transition effort to transfer knowledge required for support of ITS to the new contractor RSI, Accenture is developing, and will provide, several SAND training sessions to RSI, ISA employees and OTR employees. A primary focus of these training sessions will be to explain the ITS data model. Data model knowledge is the key to building successful report queries.

In addition, the one Accenture employee most knowledgeable of SAND has recently joined the RSI team and will continue to support ITS. Another RSI contractor has worked in support of ITS previously and also possesses knowledge related to SAND. Therefore, OTR and ISA are confident sufficient knowledge of SAND will be maintained.

Please feel free to contact me if you need any additional explanation.

cc:　　Lucille Dickinson, Chief of Staff, OCFO
　　　　Glen Groff, Director of Operations, OTR
　　　　Dave Quinn, Acting Director, Returns Processing, OTR
　　　　Mohammad K. Yusuff, Director, Internal Audit, OIO
　　　　Tisha Edwards, Manager, OIO
　　　　Nelson Alli, Senior Audit Manager, OIO